

Message Text

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47

ACTION COME-00

INFO OCT-01 EUR-25 EA-11 IO-12 ADP-00 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-02 PA-03 PRS-01 USIA-12 AGR-20 INT-08

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R 250800 Z MAY 73

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 139

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

US MISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

US MISSION GENEVA 577

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY PARIS

US MISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

UNCLAS STOCKHOLM 1823

FOR COMMERCE

E. O. 11652 N/A

TAGS: ETRD EFIN SW

SUBJECT: IMPLICATIONS FOR US EXPORTS OF RECENT FOREIGN EXCHANGE
DEVELOPMENTS

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REF: (A) STATE 77866 (B) STOCKHOLM 669 MARCH 2, 1972

" BEGIN SUMMARY" SWEDISH IMPORTS OF INVESTMENT AND CONSUMER GOODS EXPECTED TO INCREASE STRONGLY IN 1973, OFFERING PROMISING OPPORTUNITIES FOR US SUPPLIERS. DOLLAR DEVALUATION AND GERMAN AND JAPANESE REVALUATIONS HAVE MADE US PRODUCTS MORE COMPETITIVE IN SWEDISH MARKET. MANY US SUPPLIERS, HOWEVER, ARE NOT TAKING FULL ADVANTAGE OF THESE OPPORTUNITIES. SOME MULTINATIONALS ARE FAILING TO " PASS THROUGH" EFFECTS OF DOLLAR DEVALUATION AND ARE PUSHING THEIR PRODUCTS MADE IN EUROPEAN SUBSIDIARY PLANTS. US EXPORTS COULD BE INCREASED IF US SUPPLIERS WOULD FOLLOW ADVICE GIVEN IN PARA 11 BELOW. " END SUMMARY"

1. IN CONSIDERING EFFECTS OF DOLLAR DEVALUATIONS ON OUR EXPORTS TO SWEDEN, WE LOOKED FIRST AT ANTICIPATED TOTAL SWEDISH IMPORTS FROM ALL SOURCES. LATEST REPORT (MAY 1973) OF SWEDISH NATIONAL INSTITUTE OF ECONOMIC RESEARCH PREDICTS VOLUME INCREASE OF 11.5 PERCENT AND PRICE INCREASE OF 7 PERCENT FOR TOTAL SWEDISH IMPORTS IN CALENDAR 1973. OF TOTAL IMPORTS ABOUT 13 PERCENT WILL BE INVESTMENT GOODS (WHICH ARE EXPECTED TO INCREASE BY 15.5 PERCENT IN VOLUME AND 9 PERCENT IN PRICE OVER 1972 LEVELS). US SHARE OF SWEDISH IMPORT MARKET DECLINED FROM 8 PERCENT IN 1972 TO ONLY 7.2 PERCENT IN 1973. BUT FOREGOING FIGURES INDICATE BIG POTENTIAL FOR US EXPORTS TO SWEDEN IN 1973, PRIMARILY IN INVESTMENT GOODS SECTOR. CONSUMER GOODS MARKET, HOWEVER, SHOULD NOT BE IGNORED; IT ACCOUNTS FOR OVER 25 PERCENT OF TOTAL SWEDISH IMPORTS AND IS EXPECTED TO GROW IN 1973 BY 10 PERCENT IN VOLUME TERMS.

2. SINCE FEBRUARY 1, 1973, SWEDISH KRONA HAS BEEN DEVALUED BY ABOUT 2.5 PERCENT VIS- A- VIS OTHER OECD MEMBERS, WEIGHTED IN PROPORTION TO SWEDISH EXPORTS TO THOSE COUNTRIES. DURING SAME PERIOD, UNWEIGHTED DEVALUATIONS (MINUS) OR REVALUATIONS (PLUS) OF SWEDISH KRONA WITH RESPECT TO SWEDEN' S MAJOR TRADING PARTNERS WERE AS FOLLOWS:

DM (MINUS 7 PERCENT); STERLING (PLUS/ MINUS 0); US \$ (PLUS 7.5 PERCENT); ALL CURRENCIES IN EC FLOAT, EXCEPT DM (MINUS 5.0 PERCENT); FINNISH MARK (MINUS 0.5 PERCENT); ITALIAN LIRE (PLUS 8 PERCENT); SWISS FRANC (MINUS 8 PERCENT)

3. EMBASSY' S SURVEY OF SWEDISH IMPORTERS OF US GOODS AND OF UNCLASSIFIED

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US SUBSIDIARIES IN SWEDEN REVEALED THAT, WHILE MANY US PRODUCTS ARE NOW MORE PRICE- COMPETITIVE, MOST US EXPORTERS ARE NOT TAKING FULL ADVANTAGE OF THEIR EXPORT OPPORTUNITIES. IN FACT SOME US FIRMS ARE DELIBERATELY DENYING US - MADE PRODUCTS THE BENEFITS OF DEVALUATION (SEE PARA 10 BELOW).

4. MANY SWEDISH AGENTS/ DISTRIBUTORS SAY THEIR US PRINCIPALS

USED TO INSIST ON TOO LOW MARKUPS IN SWEDEN, APPARENTLY UNAWARE OF HIGH COSTS OF DOING BUSINESS HERE. SINCE DOLLAR PRICES OF US EXPORTS HAVE LARGELY BEEN MAINTAINED, WHILE MOST AGENTS HAVE NOT LOWERED KRONA PRICES, US GOODS NOW PROVIDE A MORE ATTRACTIVE PROFIT TO SWEDISH AGENTS/ DISTRIBUTORS.

5. SEVERAL SWEDISH IMPORTERS OF TEXTILES AND OTHER CONSUMER GOODS SAY THAT, WHILE US GOODS ARE NOW MORE ATTRACTIVE IN PRICE, US SUPPLIERS ARE TOO BUSY WITH DOMESTIC ORDERS AND DON' T GIVE SUFFICIENT ATTENTION TO EXPORT BUSINESS. FOR EXAMPLE, SOME US SUPPLIERS, IF THEY EVEN ANSWER LETTERS AND OFFERS, INSIST ON MAGNITUDE OF ORDERS WHICH IS UNREALISTIC FOR SIZE OF SWEDISH MARKET. AT VERY LEAST, US SUPPLIERS ARE NOT AGGRESSIVE IN KEEPING SWEDISH END- USERS AND POTENTIAL REPRESENTATIVES INFORMED OF WHAT IS AVAILABLE IN US. SWEDISH FIRMS MUST SEND BUYERS TO US, SINCE AMERICAN FIRMS RARELY SEND SALESMEN TO SWEDEN AND FREQUENTLY DO NOT EVEN SEND BROCHURES.

6. MOST SWEDISH IMPORTERS OF FOOD PRODUCTS AGREE THAT LATEST DEVALUATION HAS GIVEN US PRODUCTS A PRICE ADVANTAGE (E. G. RAW COTTON, CITRUS JUICES, FROZEN CORN), BUT THEY ALSO COMPLAIN THAT STRONG WORLD DEMAND IS PUSHING UP SOME US PRICES (E. G. DRIED FRUIT, COTTON AND MAY WIPE OUT DEVALUATION BENEFIT.

7. TWO PROMINENT SWEDISH DISTRIBUTORS OF US EDP EQUIPMENT, SEMI- CONDUCTORS, PROCESS CONTROL INSTRUMENTS, TELECOMMUNICATIONS AND ELECTRONIC COMPONENTS SAY LOCAL PRICES OF GERMAN, SWISS AND JAPANESE PRODUCTS HAVE RISEN IN RESPONSE TO PARITY CHANGES, WHILE LOCAL PRICES OF COMPETING US PRODUCTS HAVE HELD FIRM. SAME STORY IS TOLD BY AN IMPORTER OF METALS, ORES AND ALLOYS.

8. SWEDISH IMPORTER OF US PAPER PRODUCTS, SELF- ADHESIVE ACETATES, RUBBER CEMENT AND SPECIAL TYPES OF BRIEFCASES SAID RECENT US DEVALUATION PERMITTED HIM TO MAINTAIN KRONA PRICES WHICH WOULD

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OTHERWISE HAVE HAD TO BE RAISED. THIS THEME WAS ALSO REPEATED IN OTHER INTERVIEWS.

9. SWEDISH IMPORTER OF AUTOMOTIVE EQUIPMENT SAYS US GOODS NOW MORE ATTRACTIVELY PRICED, BUT MOST US COMPANIES EITHER DON' T RESPOND TO CORRESPONDENCE OR SAY THEY' RE NOT INTERESTED.

10. LOCAL REPRESENTATIVES OF MOST US MULTINATIONAL FIRMS CONFIRM THAT US- MADE PRODUCTS BENEFIT FROM DEVALUATION TO EXTENT THAT LOCAL KRONA PRICES HAVE HELD STEADY, WHILE COMPETING GERMAN AND JAPANESE GOODS HAVE RISEN. SEVERAL IMPORTERS LAMENTED THEIR INABILITY TO OBTAIN US- ORIGIN GOODS FROM CERTAIN US MULTINATIONAL FIRMS. " MADE IN USA" LABEL STILL ENJOYS PRESTIGE IN SWEDEN AND PARITY ADJUSTMENTS HAVE MADE US- PRODUCED GOODS MORE INTERESTING.

BUT US MULTINATIONALS WITH PRODUCTI
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*** Current Classification *** UNCLASSIFIED

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